Saskatchewan Telecommunications Annual Report 1980

Contents

1	Letter of Transmittal Highlights
2	Report of the President
4	Operations Review
10	Improvements to System
12	The Future for Telecommunications
13	Organization and Personnel
14	Financial Highlights
16	Ten Year Record of Service
18	Auditor's Report
19	Statement of Operations and Retained Earnings
20	Statement of Financial Position
21	Statement of Changes in Financial Position
22	Notes to Financial Statements
24	Board of Directors
inside back cover	Corporate and Operating Officers

Graphs

Five Year Comparisons

5	Long Distance Messages and Telephones in Service
14	Components of Revenue and Expense
15	Source and Application of Funds

On the cover

Fibre optics, a dramatic new technology, promises an exciting telecommunications future for the people of Saskatchewan. During the year the corporation began construction of the world's longest commercial fibre optic network. By the end of 1984 the 3,200 kilometre network will be capable of serving over half the province's population.

Cover photo

A hair-thin strand of optical fibre.

(Inset photos left to right)

The manufacturing of fibre optic strands requires the heating of an ultra-pure glass tube to more than 1900°C.
(Photo courtesy Northern Telecom)

Fibre optics has great advantages over the coaxial cable transmission systems of the past.

Fibres are drawn from glass preforms such as the one held here. Red laser light projected through the side of a preform (wavy lines) is used to determine optical quality.
(Photo courtesy Bell Labs)

101-03320/

Letter of Transmittal

Hon. Don W. Cody
Minister of Telephones and
Chairman Saskatchewan Telecommunications

Regina, Saskatchewan
February 27, 1981

To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the
Province of Saskatchewan.

Dear Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1980, including the financial statements therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Hon. Don W. Cody
Minister of Telephones and
Chairman Saskatchewan
Telecommunications

1980 Highlights

- Long distance messages originating in Saskatchewan increased by 9.9% over the previous year to an all time high of 76,366,000.
- The number of telephones in service reached a record 618,614 representing a 5.8% increase over 1979.
- A record $144.2 million was invested in the improvement and expansion of telecommunications facilities increasing the value of SASK TEL property, plant and equipment to $853.6 million.
- Construction began on the world's longest commercial fibre optic network.
- 35 rural telephone companies, representing 2,201 subscribers, voluntarily assimilated under SASK TEL's Rural Service Improvement Program.
- SASK TEL's local cable TV distribution network of 2,585 kilometres was serving 78,734 subscribers at the end of 1980.
- Operating revenues increased by 14.1% to $225.2 million.
- Operating expenses increased by 16.5% to $162.9 million.
- Net income amounted to $24.8 million, of which half, or $12.4 million, was declared as a dividend to the Crown Investments Corporation of Saskatchewan.

LEGISLATIVE LIBRARY
REGINA, SASKATCHEWAN
LEGISLATIVE LIBRARY, UNIVERSITY OF TORONTO
MAR 25 1981
RECEIVED

Report of the President

Consistent with the trend established over the past decade, SASK TEL continued to experience significant growth in the demand for telecommunications services in 1980. In all areas of activity, the performance of the corporation surpassed record levels established in previous years. This trend is expected to continue into the 80's — but at a more intensive pace as many new and evolving telecommunications technologies achieve widespread use and as the Saskatchewan economy continues to expand.

At the end of 1980 the corporation had almost 619,000 telephones in service — almost double the number in service at the end of 1970. The 76 million long distance messages completed in 1980 was almost four times the number completed in 1970.

The demand for other services, such as video and data, also exhibited strong growth as SASK TEL continued to diversify its activities to meet the needs of its many customers.

A record capital investment program was undertaken to maintain and improve the corporation's more traditional services, and to lay the ground work for the provision of many new and exciting telecommunications offerings.

The reorganization of SASK TEL was completed during the year. With the new structure now firmly in place, the corporation is moving forward into the 80's well prepared to meet the challenges that lie ahead.

The legislation governing the operations of SASK TEL — The Saskatchewan Telecommunications Act — was amended in 1980. The main thrust of the amendments was to confirm two principles which have been basic to telecommunications policy in Saskatchewan for more than 60 years. Firstly, that end to end responsibility for switched network service should reside in the carrier to ensure system compatibility, universal access, adequate maintenance, easier administration and lower overall costs. Secondly, that either the carrier or the

A. L. M. Nelson
President

government assume responsibility for what is connected to the carrier's lines and establish the rules, standards and conditions applicable to the permitted connections.

The Act now permits the attachment of equipment, which is not owned by SASK TEL, to SASK TEL's system when permitted by and subject to regulations passed by the Lieutenant Governor in Council. These changes in legislation strengthen SASK TEL's mandate to provide the best possible service to all the people of Saskatchewan in the most efficient and economical manner.

As a member company of the TransCanada Telephone System (TCTS), SASK TEL viewed with concern the Canadian Radio-television and Telecommunications Commission (CRTC) public hearings into applications filed by three TCTS member companies, regulated by the CRTC, for rate adjustments on services and facilities furnished on a Canada-wide basis through TCTS.

The principal activity of the Commission, during the lengthy and comprehensive hearings, was the detailed examination of TCTS objectives and operations, specifically the revenue settlement plan of TCTS member companies. The major point of issue for SASK TEL and the other provincially regulated member companies is whether the CRTC has jurisdiction to regulate Canada-wide telecommunications services provided in part by provincially regulated carriers.

The results of the CRTC hearings, which could have a serious impact on TCTS operations and member company relations, were still pending at year end.

Another point of issue, which remained unresolved at year end, concerned a challenge by cable companies of SASK TEL's role as the designated common carrier in the province.

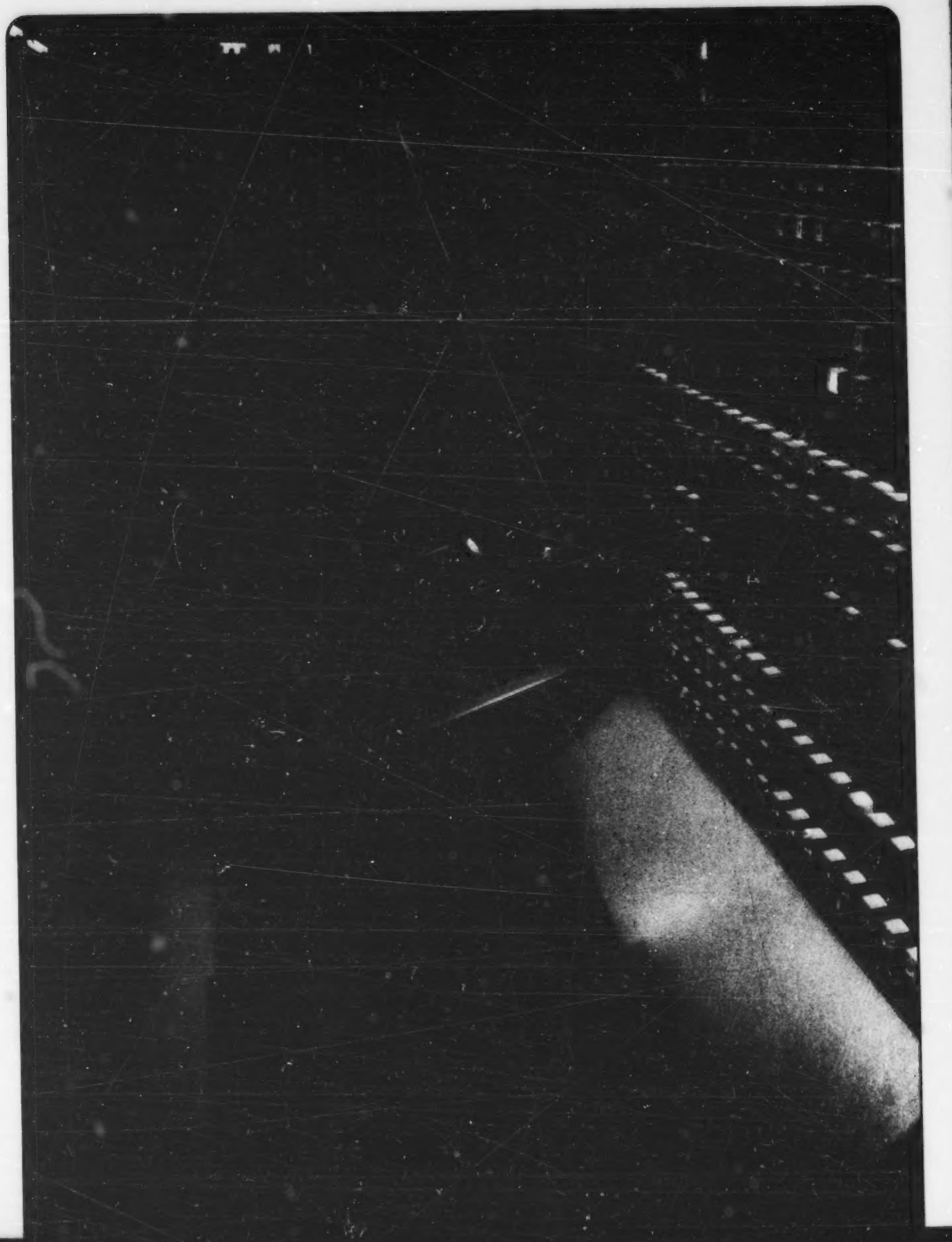
It is SASK TEL's view that agreements with federally licenced cable TV operators, confers upon the corporation the sole responsibility for remote and local TV signal delivery including the use of microwave and television receive only (TVRO) earth stations. This interpretation of the TV signal delivery agreement was disputed by a cable operator and the matter referred to the court for a decision. At year end, the matter was still in litigation.

At mid year the corporation implemented a 6% general rate increase in telephone services. This increase, while modest in comparison to recent increases in the cost of other goods and services, was necessary to help SASK TEL cope with substantial and unavoidable cost increases in the provision of high quality service.

During 1980 the corporation began construction on the world's longest commercial fibre optic network. The decision to proceed with the new network was motivated by SASK TEL's goal of establishing an integrated provincial telecommunications system to deliver all forms of signals, including cable TV, to as many people as possible at the lowest cost.

There is an increasing need for more and more information to be delivered more quickly and economically. With SASK TEL's experience in the business of moving all kinds of information — video signals as well as voice and data messages — the corporation is confident it can provide both the technology and the expertise necessary to meet the every growing and ever changing needs of the people it serves.

(Opposite Page) To keep pace with increasing demand for service, SASK TEL uses computer-controlled switching machines to route local and long distance calls.



Operations Review

A SASK TEL crew places cable underground as part of the corporation's Rural Service Improvement Program. Here a pedestal connecting two sections of buried cable is being installed.

Service to customers

Saskatchewan subscribers made extensive use of local telephone service in 1980 with over 694 million calls being completed, an average of 716 calls for every person in Saskatchewan. The use of local service provided 29.8% of the corporation's operating revenues of $225.2 million.

In 1980, SASK TEL connected 185,832 telephones and disconnected 151,674 to produce a net gain of 34,158. As a result, there were 618,614 telephones in service at year end, a 5.8% increase over the previous year. At the end of 1980 there were 64 telephones in operation throughout the province for every 100 people, almost double the number in service at the end of 1970.

An accelerated touch tone program, initiated in 1978, was completed. By year end, the corporation had completed the installation of equipment necessary to provide virtually all customers with the option of push button telephone service. The program involved the installation of equipment in 341 corporation dial office buildings with 164 locations having the equipment installed during the year.

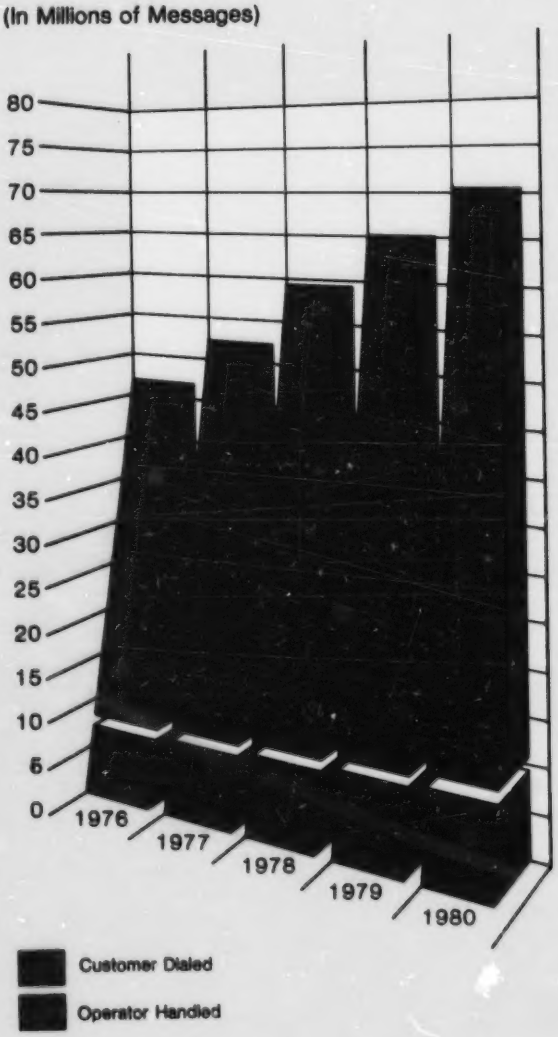
Four communities — Neville, Swift Current, Limerick and Assiniboia — received Extended Area Service (E.A.S.) during the year. In addition, 14 other communities voted in favor of E.A.S. These communities were: Aberdeen, Asquith, Dalmeny, Langham, Delisle, Osler, Dundurn, Vonda, Meota, Coleville, Pense, Riceton, Rouleau and Wilcox. The modifications necessary to provide Extended Area Service to a particular area require from 18 to 24 months to complete. At year end there were 28 communities in Saskatchewan with E.A.S.

Subscribers within an exchange area voting in favor of E.A.S. pay a higher monthly rental in return for the option of toll-free calling within the extended area. An exchange area is the basic unit established by SASK TEL for the administration and provision of telecommunications services.

During the year the local distribution facilities of 35 rural telephone companies, serving 2,201 subscribers, were acquired by SASK TEL as part of the corporation's Rural Service Improvement Program. Under this voluntary rural assimilation program, which began in 1977, SASK TEL offers to assimilate rural telephone companies and to improve service to rural subscribers. By year end, 596 rural telephone companies, out of 704 in operation at the start of the program, had been assimilated. SASK TEL now serves over 44,000 of the approximately 50,000 rural subscribers originally served by rural telephone companies at the start of this six-year, $100 million program. Under the 1980 portion of the Rural

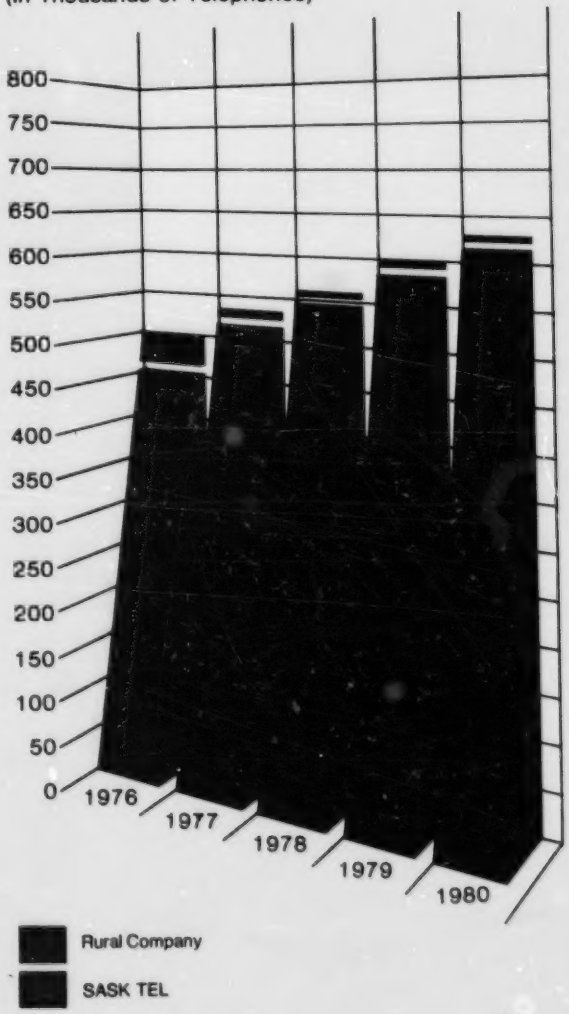
LONG
DISTANCE
TELEPHONE
MESSAGES

(In Millions of Messages)



TELEPHONES
SWITCHED BY
SASK TEL

(In Thousands of Telephones)



(Right) The Regina Network Management Centre provides the final routing for calls in and out of western Canada. It is one of only two such centres in Canada. *(Bottom)* The world's longest digital microwave-radio route between Calgary and Toronto was placed in service late in 1980. It crosses Saskatchewan on a path roughly parallel to the Trans-Canada Highway.

Service Improvement Program, 5,735 kilometres of cable and 6,069 kilometres of wire were buried at a cost of approximately $19.5 million. The aim of the program is to reduce the number of subscribers on multi-party lines to a maximum of four and at the same time to significantly improve service by replacing aerial pole line facilities with underground cable and wire. The program has the added benefit of providing telephone service to rural areas previously without service.

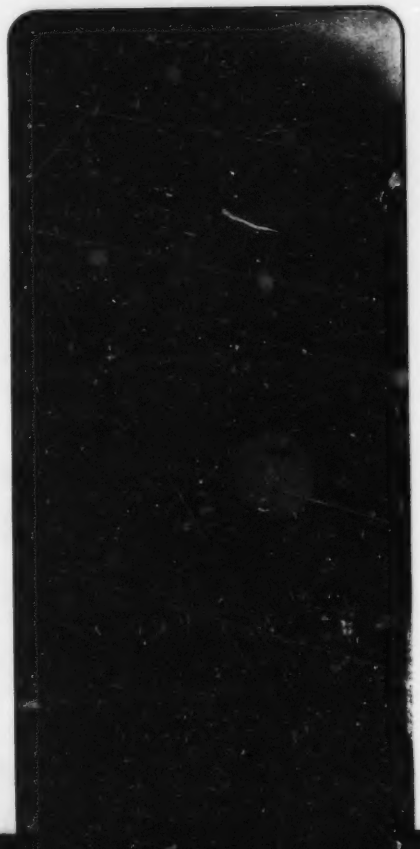
Three more communities were converted to individual line, or private service, from multi-party line service. The communities were Lebret, Grande Coulee and Quinton.

A province-wide paystation modification program, scheduled for completion in 1981, was under way at year end. The program consists of modifying paystations across the province to allow coin-free access to long distance and directory assistance operators and to repair service.

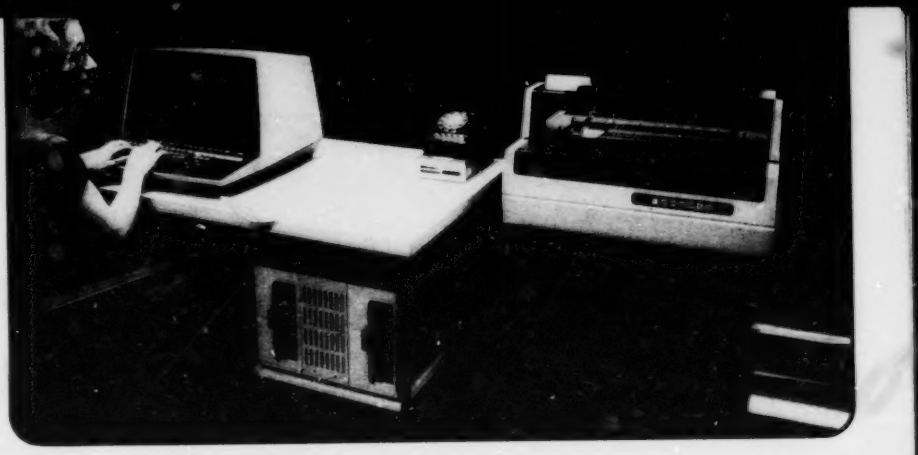
The corporation's customers also continued to make extensive use of long distance telecommunications service with 76,366,000 long distance messages completed, an increase of 9.9% over the previous year. Of the number of telephone calls completed, 86.4% were customer dialed. The remainder were operator-assisted calls.

Long distance calls placed to and received from other provinces involve the facilities of other telecommunications companies. To plan facilities and enhance network capacity, and to ensure equipment compatibility, SASK TEL cooperates with the nine other major Canadian telecommunications companies through an organization known as the TransCanada Telephone System (TCTS). As a member company of this organization, SASK TEL shares in the revenues derived from interprovincial, national and international message traffic. SASK TEL has been a member of TCTS since the organization was established in 1931.

Subscribers in Foam Lake, Preeceville, Langenburg, St. Walburg, Churchbridge and Spiritwood received Automatic Number Identification (A.N.I.) service. At year end 63 exchanges, representing 74.4% of the province's telephones, had A.N.I. service. In addition, A.N.I. equipment was installed in 11 other Community Dial Office buildings and will commence service in 1981. These 11 communities were: Rosthern, Wilkie, Eston, Gravelbourg, Birch Hills, Kelvington, Wakaw, Carrot River, Cudworth, Watson and Luseland. With A.N.I. service, the customer's number is automatically recorded whenever a long distance call is placed. Previously, this was provided orally by the caller.



SASK TEL moved a step closer to providing equipment and services for "the office of the future" with the introduction of a line of word processing equipment.



Growth and expansion of service to business

Customer use of the more traditional business services increased significantly during the year. To meet these growing business requirements, SASK TEL continued to offer a wide variety of business services, including visual display computer terminals; high-speed printers; a number of data transmission systems and a host of other data services. At year end, 1,776 SASK TEL provided data terminals were in service, an increase of 416 over 1979.

During the year, the number of SASK TEL general mobile radio-telephone sets in use increased by 124, bringing the total in service at year end to 873. The number of SASK TEL private mobile radio sets in use showed an even greater increase with 2,386 in service at year end, an increase of 241 sets over the previous year. The use of SASK TEL pocket pagers increased by 380, bringing the total of such units in service at the end of the year to 1,093.

A total of 143 private branch exchanges for business customers were also installed by the corporation. At year end 994 installations serving 47,846 telephones, were in operation throughout the province.

In response to the changing needs and requirements of a growing provincial economy, SASK TEL introduced a number of new services.

An air-to-ground radio telephone communications system was established. The system, including antenna and base station facilities located at Bladworth, allows access to the dial network. At the time the system was placed in service, Saskatchewan was only the second province in Canada to offer this new specialized service. This service is now available in all three prairie provinces.

A further step toward providing equipment and services for "the office of the future" was taken by SASK TEL with the introduction to business customers of a line of word processing equipment. The future for this new service offering appears promising and it is expected that significant revenues will be generated for SASK TEL in the years ahead. Word processors will likely form the core of the office of the future and are being linked through telecommunications facilities to computers, teletype terminals and other word processors. SASK TEL's entry into the word processing field will help organizations deal effectively and efficiently with the increasingly large volumes of written information.

(Right) The corporation's telecommunications network distributes network radio and TV programs as well as cable TV programs in the province. *(Bottom)* The installation of coaxial cable under an accelerated plan will allow the corporation to expand cable television viewing opportunities to many Saskatchewan communities. *(Opposite Page)* A province-wide computerized Directory Assistance system now provides faster and more up-to-date subscriber listing information to customers.

Cable and network TV services extended

The distribution of both cable TV and network TV signals is an important function of SASK TEL in carrying out its mandate as the province's common carrier.

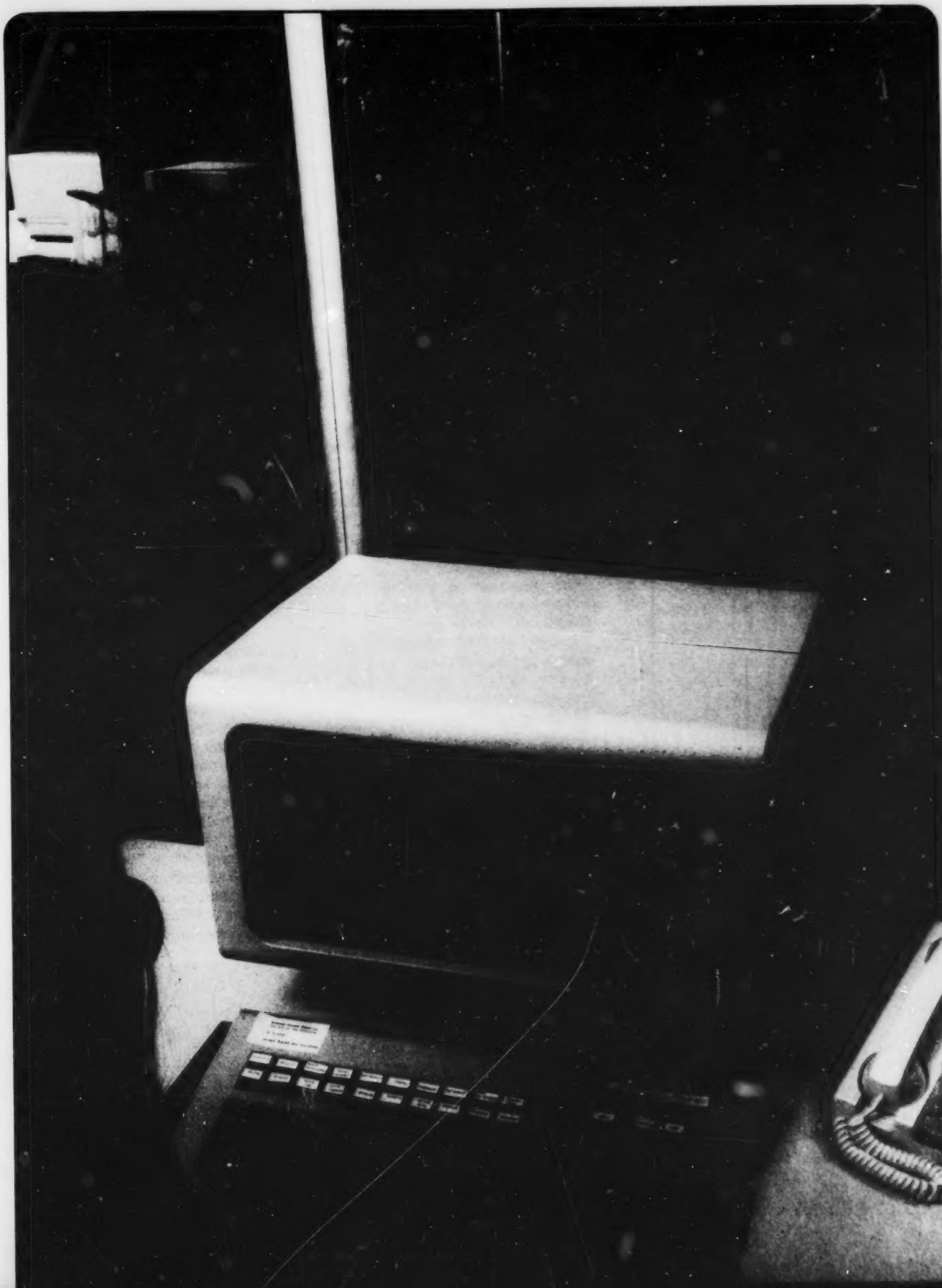
In October the corporation announced plans to expand, as quickly as possible, the cable television viewing opportunities to Saskatchewan residents. The plan calls for the installation of local cable TV distribution systems in a number of communities located on the corporation's Broadband Network (BBN) by the end of 1981. This accelerated program will ensure that the necessary cable TV distribution systems are in place as soon as possible following the granting of licences to cable TV operators by the Canadian Radio-television and Telecommunications Commission (CRTC).

At year end the installation of local cable TV distribution systems was either under way or about to begin in Biggar, Fort Qu'Appelle, Humboldt, Lanigan, Lumsden, Martensville, Melfort, Melville, Nipawin, Rosetown, Swift Current, Tisdale. Warman, Wilkie, Unity and Yorkton. At present, there is no cable television service at these locations. These local cable delivery systems, which include aerial and buried distribution and associated test equipment, will cost some four million dollars. The cabling of other communities on the Broadband Network will be scheduled for subsequent years and will depend, to a great extent, upon the licencing of cable TV operators and the pace of construction, but plans are to proceed as quickly as possible in order that smaller communities can receive the wide variety of TV programming enjoyed by larger urban centres.

The installation of two additional microwave-radio channels expanded cable TV viewing opportunities for residents in four cities. The Public Broadcasting System (PBS) and American Broadcasting Corporation (ABC) networks are now available to cable TV subscribers in Regina, Saskatoon, Moose Jaw and North Battleford. In addition, the Canadian Broadcasting Corporation (CBC) network TV was extended from La Ronge to Southend with the installation of a microwave-radio system between those two northern communities.

Late in 1980 SASK TEL entered into an agreement to acquire the local cable TV distribution system in Prince Albert and to deliver American TV signals to the cable operator. The cable operator is required to obtain CRTC approval before this agreement becomes effective. This acquisition will strengthen the corporation's position as the designated common carrier for all telecommunications signals, including local cable TV, in the province of Saskatchewan.

At year end, four major urban centres in the province were served by SASK TEL local cable TV distribution systems.



Many Improvements to System

A record $144.2 million was spent on SASK TEL's 1980 capital investment program. The expenditure was necessary to maintain the present provincial telecommunications system, recognized as one of the best in the world, and to expand the system to provide customers with the most modern telecommunications services available. Highlights of the capital investment program were as follows:

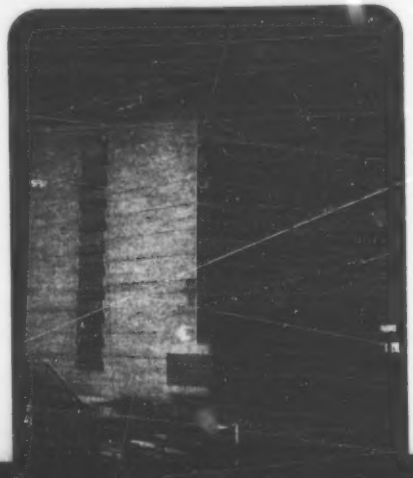
- $49.0 million on cable construction which included $19.5 million for the continuation of SASK TEL's Rural Service Improvement Program and $29.5 million on the corporation's other buried cable programs as well as the installation of cable TV distribution systems in communities.
- $34.6 million for the expansion and modernization of switching centres with the latest equipment and expansion of long distance facilities.
- $31.0 million for land, buildings and towers. This included the construction of SASK TEL's new head office building, the Weyburn exchange building, new Customer Service Centres and expansion to existing Community Dial Offices throughout the province.
- $22.9 million to replace obsolete subscriber equipment and to provide additional equipment to handle the new telephones placed in service.
- $6.7 million on other materials and equipment needed to maintain service. This included such things as vehicles and associated equipment, test equipment and tools, and computer equipment.

New Customer Service Centres were completed during the year at Estevan, Maple Creek, Watson, Watrous and Biggar. At year end others were under construction at Melfort, Meadow Lake, Kindersley, Rosetown, Nipawin, Tisdale and Carrot River.

The main purpose of the Customer Service Centres is to improve service to customers by decentralizing the corporation's work forces. In communities where staff is already located, the facilities are required to relieve a shortage of office and warehouse space.

Building additions were also constructed at Birch Hills, Canwood, Maidstone, Martensville, Punnichy, Raymore and White Fox. At year end, similar additions were also under way at Norquay, Pelly and Pilot Butte. These expanded facilities will house additional switching equipment to meet the increasing demand for service in these areas.

A number of other building additions and renovations were either completed or under way at Saskatoon, Prince Albert and Regina. In Weyburn, work was virtually



(Right) SASK TEL's new head office building in Regina is part of the $100 million Cornwall Centre redevelopment project.

(Left) At year end the corporation's Weyburn switching centre was nearing completion. *(Bottom)* Hundreds of miles of cable and wire were installed to provide improved service to many rural subscribers.

completed on a new $1.6 million switching centre.

SASK TEL's new head office building was nearing completion at the end of 1980. This facility will accommodate some 1,300 employees now housed in several corporate-owned and leased facilities throughout Regina. This new facility will also provide space for future expansion.

Microwave-radio towers were constructed at Milestone, Midale, Weyburn, Ituna, Jedburgh, Assiniboia, Carrot River, Camsell Portage and Wawota. In addition subscriber radio system towers providing local telephone service were constructed at a lumber mill site near Carrot River, the Shoal Lake and Red Earth Indian Reservations, and the Dubyna Mine site near Uranium City. A rural radio system tower was built at Key Lake.

Two major additions to existing switching equipment in Saskatoon were completed, with similar but smaller equipment additions either completed or under way in 72 other smaller communities. Installation of new digital switching equipment was under way in Regina, Saskatoon and Weyburn at year end.

The world's longest digital microwave-radio transmission route, between Calgary and Toronto, was placed in service at the end of 1980. SASK TEL and three other TCTS companies participated in this project. SASK TEL's portion of the system's cost was four million dollars.

The system transmits signals more reliably than traditional analog microwave-radio transmission systems. Other benefits include lower long term costs, greater security and ease of maintenance.

Other major transmission systems under construction at year end included the Estevan-Weyburn-Regina digital microwave-radio system and a digital route between Swift Current and Regina. These systems will not only carry telephone conversations, but will also accommodate special data service requirements. By using digital rather than analog transmission and switching methods, the corporation will be able to handle larger volumes of information and deliver high quality signals.

Apart from the corporation's Rural Service Improvement Program, an additional 995 kilometres of cable and 1,734 kilometres of wire were placed in the ground under SASK TEL's other buried cable projects. Wire and cable have gradually disappeared from public view as the corporation continues to install more and more of these facilities underground.

In early spring, computerized directory assistance systems became operational in Regina, Saskatoon and Prince Albert. By early summer, the installation of similar equipment in Moose Jaw, Swift Current, Weyburn, Estevan, Melfort, North Battleford and Yorkton completed the province-wide system. Through computerized systems, SASK TEL directory assistance operators now provide faster and more up-to-date subscriber listing information.

At the close of 1980, SASK TEL's total investment in equipment and telecommunications facilities exceeded $853 million.

The Way of the Future for Telecommunications

Over the years, SASK TEL has provided reliable, high quality telecommunications services to Saskatchewan residents. As a result, the people of Saskatchewan now enjoy one of the lowest priced, most modern telecommunications systems available anywhere. This has been accomplished through the practical application of the very latest technologies and the efficient management of the corporation's resources.

Building the Broadband Network

Late in the year SASK TEL began construction of the world's longest commercial fibre optic network. The use of this new technology, in which all forms of messages are converted to laser-generated light and transmitted on hair-thin strands of ultra-pure glass, will provide Saskatchewan residents with a telecommunications network of almost unlimited capabilities. Fibre optics is truly the light fantastic — the way of the future for telecommunications.

When completed in 1984, the fibre optic network will link all Saskatchewan cities and 40 of the province's larger towns and will form the basis for a province-wide Broadband Network (BBN).

Work on the first leg of the project, the Regina-to-Yorkton technology link, was progressing satisfactorily at year end. Once the technology link is completed and tested, and any necessary modifications made, the remainder of the 3,200 kilometre system will be built.

The fibre optic network will carry traditional long distance messages and extend cable TV to many communities within the province. The network will consist of two parts: an optical fibre network linking the communities and a coaxial cable system within the communities for distributing signals. Once this section of the BBN is installed and placed in service, it will be capable of serving over 500,000 people in the province.

One of the main advantages of fibre optics is that it has a large bandwidth or signal-carrying capacity. This accounts for its unique ability to carry vast amounts of information and makes it an ideal system over which voice, TV and data signals can be carried simultaneously over long distances. Other advantages of the fibre optics system include the capability for two-way, local, and regional T.V. programming and compatibility with other technologies. SASK TEL, in order to accommodate the expansion of cable TV services, will employ a variety of technologies — fibre optics, satellites, microwave-radio and coaxial cable systems — in such a way as to provide many services at the lowest possible cost to the greatest number of people. It is expected that satellite-earth station systems will be used to provide cable TV to small population centres and remote areas in northern Saskatchewan.

While initially expanding cable TV to many communities and allowing SASK TEL to meet more traditional customer demands for telephone service, the new network will ultimately pave the way for a host of new and exciting consumer, industrial and educational services.

Videotex trial approved

A videotex trial scheduled to begin in 1981 was approved by the corporation. Videotex is the generic name describing interactive or two-way visual information services. Such a system typically uses a TV set, a key pad the size of a pocket calculator, a micro-processor, and a telecommunications link which allows access to a wide variety of information stored in computer data banks.

Videotex has a wide variety of possible applications: information retrieval, shopping from a home or business location, advertising, education, entertainment, electronic mail and electronic banking, to name just a few.

SASK TEL is also examining the possibility of providing a number of other telecommunications services in the future. Among these are systems in which smoke detectors and burglar alarms could be linked through the telecommunications network to fire and police departments. As well gas and electricity meters could be "read" from a remote location by utility company personnel.

Fibre optics technology will provide Saskatchewan residents with many new and exciting services.

Organization and Personnel

During the year, four directors were appointed to SASK TEL's board of directors, bringing the total to 12. The new board members appointed were: Richard Simpson, executive director, Communications Secretariat; James Caudle, president, Independent Agencies of Yorkton; John Sadler, vice-president, Corporate and Economic Development, Crown Investments Corporation; and Ron Fisher, president, United Steel Workers of America, Cory Local. Mr. Fisher is employed by the Potash Corporation of Saskatchewan. The wide variety of backgrounds and experience of the new members ensure that various regional interests and points of view are represented.

The reorganization of the corporation's administrative structure, initiated in 1979, was completed during the year. The prime objectives of reorganization were to make the corporation more responsive to customer needs, to help the corporation adapt to the rapidly evolving business environment, to keep abreast of new technological developments, and to increase the responsibilities and challenges for employees.

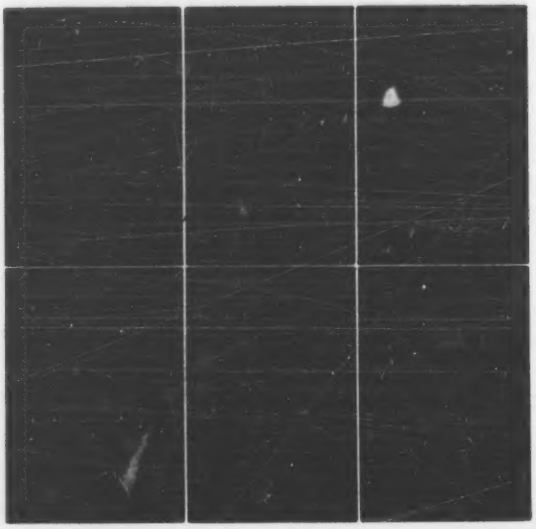
SASK TEL is now organized into six operational groups — Customer Services, Network Services, Administration, Operations Development, Personnel and Public Affairs, and General Counsel. Each group, consisting of a number of departments sharing related functions, is headed by a Vice President responsible for the development and implementation of specific corporate programs designed to meet the needs of telecommunications customers into the 80's and beyond.

A significant aspect of reorganization was the establishment of a centralized training branch in 1979. A strong emphasis continued to be given to staff training and development to ensure the efficient operation of SASK TEL's complex telecommunications system and to keep pace with all new technological developments. The corporation also continued to provide monetary support encouraging employees to broaden educational and technical skills toward enhanced job performance.

SASK TEL acknowledges the contribution made throughout the year by its 4,300 employees. Without their dedication and competence, the significant amount of progress and achievement in 1980 and in years past would not have been possible.

As well as being instrumental in the overall performance of the corporation, many employees, through various community organizations and activities, helped to enrich the quality of life and enhance the economic viability in the communities in which they reside.

Telorama II, a traveling museum featuring the history and future of telecommunications in Saskatchewan, was SASK TEL's principal contribution to Celebrate Saskatchewan activities. A total of 106,000 people in 70 communities visited the museum over the course of its 16,000 kilometre journey.



(Left to right — top row)

Roger E. Bason
Vice President
Administration

Frank A. Degenstein
Vice President
Customer Services

John Houston
Vice President
Personnel and Public Affairs

(Left to right — bottom row)

Tommy A. Howe
Vice President
General Counsel

S. Fraser Lee
Vice President
Operations Development

Pieter Van Vliet
Vice President
Network Services

Financial Highlights

The 1980 financial results which follow indicate continued significant growth in demand for the various telecommunications services provided by the corporation.

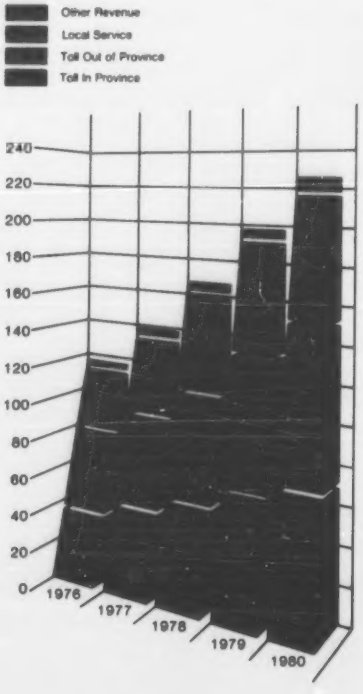
Operating revenues for the year totalled $225.2 million, an increase of $27.9 million or 14.1% over 1979. Contributing to this increase were gains of 5.8% in telephones in service, 9.9% in long distance voice and data messages, and 17.5% in cable television patrons served. In addition, a 6% general rate increase was introduced in August covering various in-province local and long distance services.

Operating expenses for the year amounted to $162.9 million, an increase of $23.1 million or 16.5% over 1979. Of the increase, $10.4 million was due to added salary and benefit costs, $4.4 million in additional depreciation provisions, and $8.3 million in further material, service and tax costs. These increases reflect the higher level of business activity experienced during the year and the continuing impact of high inflation.

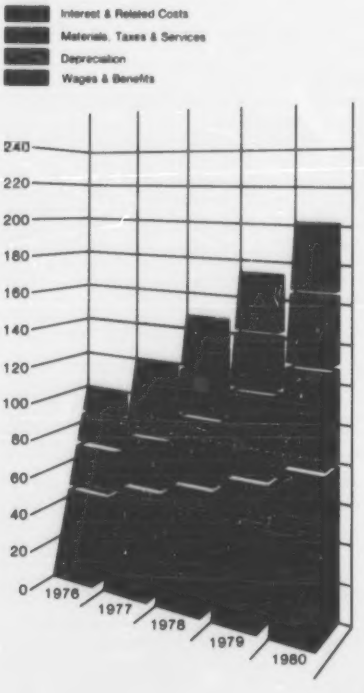
Interest and related costs, after deduction of interest capitalized and earnings on sinking funds and temporary cash investments, amounted to $37.4 million, an increase of $5.2 million over 1979. This 16.3% increase reflects added financial cost associated with the construction program, higher cost of borrowing and the decline in value of the Canadian dollar.

Net earnings for the year of $24.8

COMPONENTS
OF REVENUE
(Millions of Dollars)



COMPONENTS
OF EXPENSE
(Millions of Dollars)

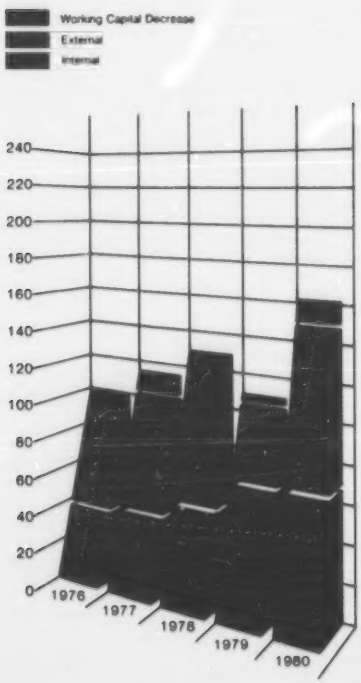


million were down slightly from 1979. This represents a 4.2% rate of return on average capital employed, a decline from the 4.8% achieved in 1979. One half of the net earnings amounting to $12.4 million has been declared as a dividend to the Crown Investments Corporation of Saskatchewan.

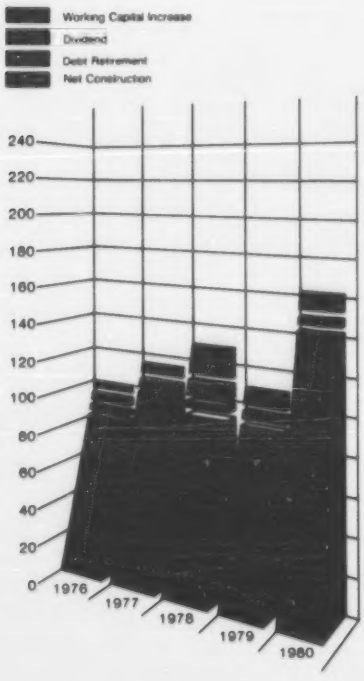
Capital requirements for 1980 increased by $53.5 million over 1979 to $161.6 million. Of this amount, $142.8 million was needed for net construction expenditures, $6.4 million for sinking fund installments, and $12.4 million for dividends. Internally generated funds from operations provided $66.7 million with working capital reductions contributing $14.5 million. In addition, the corporation borrowed $80.4 million. Of this amount, $56 million was obtained by way of short term notes payable. The balance of borrowing for the year of $24.4 million represents the net proceeds from the $25 million — 20 year 11¾% Province of Saskatchewan debentures received in June, 1980.

Gross construction expenditures for the year amounted to $144.2 million, up $50.5 million from 1979. These additions, less retirements made during the year, brought total investment in property, plant and equipment to $853.6 million at year end.

SOURCE
OF FUNDS
(Millions of Dollars)



APPLICATION
OF FUNDS
(Millions of Dollars)



Saskatchewan Telecommunications Ten Year Record of Service

at December 31

	1980	1979
TELEPHONES		
SASK TEL Owned	**618,614**	584,456
Connected*	**185,832**	186,809
Net Increase*	**34,158**	33,403
Rural Company Owned (Switched by SASK TEL)	**4,661**	6,812
Telephones Per 1000 People	**643**	616
NUMBER OF EXCHANGES	**341**	341
NUMBER OF TOLL OFFICES	**2**	2
ORIGINATED LONG DISTANCE MESSAGES (In Thousands)		
Telephone*	**70,728**	65,134
TWX, WATS & DATA LINE*	**5,638**	4,327
Total Messages*	**76,366**	69,461
FINANCE (In Thousands of Dollars)		
Operating Revenues*	**$225,160**	$197,265
Operating Expenses*	**$162,942**	$139,856
Interest and Related Costs*	**$ 37,404**	$ 32,160
Net Income*	**$ 24,814**	$ 25,249
Dividend*	**$ 12,400**	$ 12,625
Gross Construction Expenditures*	**$144,161**	$ 93,626
Property, Plant and Equipment	**$853,619**	$723,176
Long-Term Debt — Province of Saskatchewan	**$500,716**	$471,412
Debt as a Percent of Year-End Capital	**78.7%**	77.6%
EMPLOYEES AND PAYROLL		
Number of Employees	**4,339**	4,024
Salaries Earned* (Thousands of dollars)	**$ 88,236**	$ 76,100

*For the Year Ended December 31

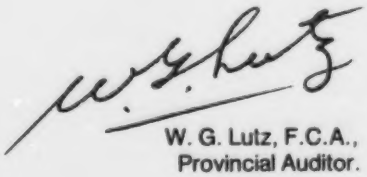
1978	1977	1976	1975	1974	1973	1972	1971
1,053	516,312	451,685	421,792	390,973	366,515	344,661	328,126
2,792	191,901	140,998	142,284	125,643	123,372	110,233	100,608
4,741	64,627	29,893	30,819	24,458	21,854	16,535	13,145
9,040	13,687	47,762	49,721	50,254	50,648	50,616	50,723
590	563	531	510	485	459	431	409
342	338	335	332	330	332	337	345
4	12	18	22	24	26	26	18
59,108	52,171	46,948	42,342	36,126	28,995	23,170	20,653
3,464	2,676	2,198	1,989	1,687	1,385	939	774
62,572	54,847	49,146	44,331	37,813	30,380	24,109	21,427
$164,914	$137,036	$116,096	$ 92,320	$ 76,673	$ 66,319	$ 59,869	$ 53,965
$117,242	$ 98,792	$ 83,334	$ 67,316	$ 52,164	$ 44,175	$ 39,636	$ 35,753
$ 28,204	$ 20,302	$ 13,701	$ 9,810	$ 6,993	$ 5,808	$ 5,798	$ 5,489
$ 19,468	$ 17,942	$ 19,061	$ 15,194	$ 17,516	$ 16,336	$ 14,435	$ 12,723
$ 9,725	$ 8,975	$ 9,500	$ 7,600	$ 8,750	$ 8,150	$ 7,200	$ 6,350
$ 97,199	$104,138	$ 83,548	$ 75,367	$ 52,679	$ 36,032	$ 25,968	$ 22,320
$649,696	$566,488	$470,992	$394,900	$331,488	$287,178	$261,329	$246,289
$453,663	$350,715	$278,952	$208,276	$182,154	$159,303	$137,712	$139,144
78.4%	75.5%	73.0%	70.3%	67.2%	66.5%	66.9%	69.6%
3,957	3,820	3,622	3,344	2,974	2,695	2,556	2,449
$ 67,389	$ 58,953	$ 50,087	$ 39,908	$ 29,325	$ 23,339	$ 20,395	$ 17,896

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan:

I have examined the statement of financial position of Saskatchewan Telecommunications as at December 31, 1980 and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
February 4, 1981.

Saskatchewan Telecommunications Statement of Operations and Retained Earnings

(For the Year Ended December 31)

	1980	1979
	(Thousands of Dollars)	
OPERATING REVENUES		
Long distance service	$ 149,668	$130,249
Local service	67,019	59,833
Other	8,473	7,183
	225,160	197,265
OPERATING EXPENSES		
Maintenance and operations	65,495	55,543
Depreciation (Note 2)	48,244	43,859
General and administrative	49,203	40,454
	162,942	139,856
OPERATING INCOME	62,218	57,409
INTEREST AND RELATED COSTS (Note 3)	37,404	32,160
NET EARNINGS	24,814	25,249
Retained earnings, beginning of year	122,564	109,940
	147,378	135,189
Dividend	12,400	12,625
RETAINED EARNINGS, end of year	$ 134,978	$122,564

See accompanying notes.

Saskatchewan Telecommunications Statement of Financial Position

(As at December 31)

ASSETS	1980	1979
	(Thousands of Dollars)	
Property, Plant and Equipment (Note 4)	$624,993	$528,540
Investment — Telesat Canada (Note 5)	999	999
Current Assets		
Cash and temporary cash investments — at cost	970	2,637
Accounts receivable	33,851	34,037
Prepayments	746	1,096
	35,567	37,770
Deferred Charges (Note 6)	21,723	17,408
	$683,282	$584,717

LIABILITIES AND PROVINCE'S EQUITY		
Long-Term Debt (Note 7)	$442,072	$424,256
Notes Payable (Note 8)	58,000	—
Province's Equity		
Retained earnings	134,978	122,564
Current Liabilities		
Accounts payable	28,739	15,480
Interest accrued	8,193	7,230
Dividend payable	12,400	12,625
Service billed in advance	2,900	2,562
	50,232	37,897
	$683,282	$584,717

See accompanying notes.

Saskatchewan Telecommunications Statement of Changes in Financial Position

(For the Year Ended December 31)

	1980	1979
	(Thousands of Dollars)	
SOURCE OF FUNDS		
Operations		
Net earnings	$ 24,814	$ 25,249
Add: Depreciation and other items not requiring current funds	41,906	38,688
	66,720	63,937
External		
Long-term debt and notes payable (net)	80,375	39,300
Working capital decrease	14,538	4,912
	$ 161,633	$ 108,149
APPLICATION OF FUNDS		
Construction expenditures		
Gross construction expenditures	$ 144,161	$ 93,626
Increase in materials and supplies	1,408	1,972
Less: Net salvage value of plant retired, capital contributions and other items not requiring current funds	2,733	5,660
	142,836	89,938
Repayment of long-term debt	6,397	5,586
Dividend	12,400	12,625
	$ 161,633	$ 108,149

See accompanying notes.

Saskatchewan Telecommunications Notes to Financial Statements

NOTE 1 — STATUS OF THE CORPORATION

The provincial telephone system, in operation since 1908 as a department of government, was established as a Crown Corporation on June 1, 1947 under the name of Saskatchewan Government Telephones. On April 1, 1969, pursuant to The Saskatchewan Government Telephones Change of Name Act, 1969, the Corporation's name became Saskatchewan Telecommunications.

The corporation, under the provisions of its Act, constructs, maintains and operates a provincial telecommunications system, provides telecommunication services, and participates in establishing, constructing and operating a co-ordinated telecommunications system in Canada.

The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily identifiable and quantifiable with the construction activity. In addition, the Corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Depreciation

Depreciation is computed on the straight line method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

The composite depreciation rate on the average depreciable telecommunications property in service was 7.43% in 1980 (7.39% in 1979).

Pension Fund Obligations

SASK TEL Superannuation Plan

SASK TEL meets its financial obligation for employee superannuation allowances payable in the future under this Plan by making regular payments into the SASK TEL Superannuation Fund equal to the annual current service pension costs recorded by SASK TEL. The costs are calculated at the actuarially determined rate necessary to provide for future superannuation benefits over the remaining working lives of the employees. The latest actuarial valuation of the Fund was prepared as at December 31, 1978 and disclosed no unfunded liabilities.

Public Employees (Government Contributory) Superannuation Plan

The pension costs to SASK TEL under this Plan are equal to the required employee contribution. SASK TEL meets its financial obligation through regular monthly payments to the Plan.

Gain on Retirement of Long-Term Debt Before Maturity

Under a modified Sinking Fund Policy, long-term debt may be retired prior to maturity through cancellation of the Province of Saskatchewan debentures held in the Sinking Fund. Any gain is amortized over the remaining life of the debentures cancelled.

Foreign Currency Translations

Net long-term debt payable in foreign currency is stated in Canadian dollars at the foreign exchange rate prevailing at December 31, and the resulting unrealized loss is amortized over the current year and remaining life of the net debt.

Interest accrued on long-term debt payable in foreign currency is recorded in Canadian dollars at the foreign exchange rate prevailing at year-end. Interest paid during the year on long-term debt is translated at the currency rate prevailing at the interest payment date. Any gains or losses relating to these items are charged to income in the current period.

NOTE 3 — INTEREST AND RELATED COSTS

	1980	1979
	(Thousands of Dollars)	
Interest charges	$ 44,030	$ 40,246
Amortization of discount	319	291
Foreign exchange provision	787	610
	45,136	41,147
Less: Sinking fund earnings	5,070	4,706
Gain on debt retirement	514	285
Interest charged construction	1,594	777
Interest on temporary cash investments	554	3,219
	$ 37,404	$ 32,160

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

	1980	1979
	(Thousands of Dollars)	
Buildings, plant and equipment	$ 745,592	$ 665,562
Land	27,298	19,947
Plant under construction	68,109	26,455
Materials and supplies	12,620	11,212
	853,619	723,176
Less: Accumulated depreciation	228,626	194,636
	$ 624,993	$ 528,540

NOTE 5 — INVESTMENT — TELESAT CANADA

This investment represents 99,900 common shares no par value, of Telesat Canada at an issue price of $10 per share.

NOTE 6 — DEFERRED CHARGES

	1980	1979
	(Thousands of Dollars)	
Applicable to long-term debt:		
Unamoritized discount	$ 5,069	$ 4,763
Unamortized unrealized net foreign currency losses	18,893	15,398
	23,962	20,161
Less: Unamortized gain on retirements before maturity	2,239	2,753
	$ 21,723	$ 17,408

NOTE 7 — LONG-TERM DEBT — PROVINCE OF SASKATCHEWAN

Percent	Due Date	Recorded Debt Outstanding (Thousands of Dollars)	
5.250	Oct. 16, 1981	$ 3,031	
5.500	Nov. 15, 1982	1,795	
5.000	Sept. 1, 1983	6,779	
4.750	Jan. 2, 1984	2,788	(a)
5.500	Jan. 15, 1984	4,302	
5.500	July 15, 1985	2,607	
5.500	Dec. 1, 1985	5,186	
5.650	1986	7,401	(b)
5.698	1987	2,682	(b)
6.000	Mar. 1, 1987	2,928	
6.549	1988	2,000	(b)
7.541	1989	10,100	(b)
8.093	1990	9,806	(b)
4.875	Oct. 1, 1990	7,043	(a)
7.125	1991	9,461	(b)
7.528	1992	15,093	(b)
7.689	1993	8,644	(b)
7.750	Feb. 15, 1998	5,000	
8.250	Dec. 3, 1998	15,000	
10.000	Dec. 2, 1999	25,000	
11.750	June 2, 2000	25,000	
9.875	Nov. 3, 2000	30,000	(c)
10.250	Apr. 1, 2001	25,000	
9.000	Feb. 1, 2002	25,000	
9.500	June 15, 2003	30,000	
10.000	May 15, 2004	40,000	
8.700	Nov. 15, 2006	59,690	(a)
8.625	May 15, 2007	59,690	(a)
9.250	Apr 15, 2008	59,690	(a)
		500,716	
Less: Equity in sinking funds		58,644	(d)
Net long-term debt — December 31, 1980		$442,072	

(a) Represents long-term debt repayable in United States dollars having a U.S. face value of $158,235,000 converted to $167,586,000 Canadian at time of issue. It is recorded in Canadian dollar equivalent of $188,901,000 based on the foreign exchange rate prevailing as at December 31, 1980 of 1.1938 (1979 — 1.1666).

(b) Long-term debt totalling $65,187,000 received through the Canada Pension Plan under 20 year terms, are subject to redemption on six months notice.

(c) Subject to right of prepayment on November 3, 1983, if the holder so elects.

(d) Under conditions attached to all long-term debt, SASK TEL is required to pay annually into Sinking Funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of long-term debt received. The equity shown includes United States investments held in the fund having a U.S. value of $1,512,000 recorded at $1,805,000 Canadian dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1980.

(e) Total Sinking Fund installments and long-term debt repayments (net of Sinking Fund Equity) on outstanding debt over the next five years are as follows:

1981 — $7,680,000
1982 — $7,216,000
1983 — $1,766,000
1984 — $6,092,000
1985 — $7,778,000

NOTE 8 — NOTES PAYABLE

Notes payable represents interim capital financing arranged under Lines of Credit established with the Province of Saskatchewan and the Bank of Montreal in the aggregate amounts of $75 million and $15 million respectively. At December 31, there was $56 million Notes payable outstanding; $41 million with the Province of Saskatchewan and $15 million with the Bank of Montreal.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

As at December 31, 1980, SASK TEL was committed in the amount of approximately $25 million for construction materials, equipment and services related to projects in progress.

SASK TEL is a defendant in court actions contesting the amount of compensation payable to owners of lands expropriated in downtown Regina. On advice of counsel, SASK TEL is contesting all these actions and believes it has valid defences to them.

NOTE 10 — RELATED PARTY TRANSACTIONS

Related parties to the Corporation are Saskatchewan's Crown controlled departments, agencies and corporations. Transactions with related parties are conducted at normal market prices.

NOTE 11 — REMUNERATION OF DIRECTORS AND OFFICERS

During the year 1980, twelve persons (1979 — 10) served on the Corporation's Board of Directors and 17 (1979 — 15) served as executive officers. The aggregate 1980 remuneration to directors amounted to $7,300 (1979 — $4,400) and the 1980 aggregate remuneration to executive officers was $760,079 (1979 — $592,977).

NOTE 12 — COMPARATIVE INFORMATION

Certain 1979 financial figures have been reclassified in order to conform with the 1980 presentation.

Board of Directors

Hon. Don W. Cody
Minister of Telephones and
Chairman Saskatchewan
Telecommunications

Hon. Roy J. Romanow
Vice-Chairman of the Board
Saskatoon

Edward Brunanski
Wakaw

James W. Caudle
Yorkton

William E. Clarke
Regina

George Classen
St. Gregor

Ronald Fisher
Saskatoon

Florence Peterson
Biggar

John R. S. Sadler
Regina

Werner Senft
Lipton

Richard J. Simpson
Regina

Allan A. Voegeli
Regina

Carole Y. Bryant
Secretary to the Board
Regina

Corporate Officers

A. L. M. Nelson
President

Roger E. Bason
Vice President
Administration

Frank A. Degenstein
Vice President
Customer Services

John Houston
Vice President
Personnel and Public Affairs

Tommy A. Howe
Vice President
General Counsel

S. Fraser Lee
Vice President
Operations Development

Pieter Van Vliet
Vice President
Network Services

Operating Officers

Harold E. Freberg
Assistant Vice President
Customer Services (South)

John A. Funk
Assistant Vice President
Corporate Information Systems

Ronald N. Gallant
Assistant Vice President
Comptroller

David M. Harvey
Assistant Vice President
Corporate Staff Services

B. William Lambert
Assistant Vice President
Network Services

John G. McGregor
Assistant Vice President
Planning and Development

George A. Spencer
Assistant Vice President
Buildings, Supplies and Services

Norman F. Stepan
Assistant Vice President
Marketing

Willis A. Warner
Assistant Vice President
Operator Services

Arnold A. Wolfe
Assistant Vice President
Customer Services (North)